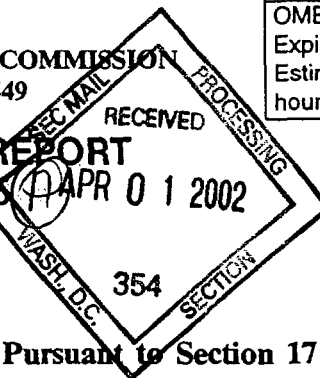




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UNITED STATES
AND EXCHANGE COMMISSION
Washington, D.C. 20549ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

OMB APPROVAL

OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response . . . 12.00

SEC FILE NUMBER

8- 43243

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Richter, Larry Lee DBA Financial Advantage Company

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

423 Lazy Bluff

(No. and Street)

San Antonio

TX

78216-1617

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Larry Richter

1-210-490-8877

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Marcus, Fairall, Bristol + Co., L.L.P.

(Name — if individual, state last, first, middle name)

6060 Surety Drive, Suite 100

El Paso

TX

79905

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

APR 05 2002

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant
must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

VS 4-4-00

OATH OR AFFIRMATION

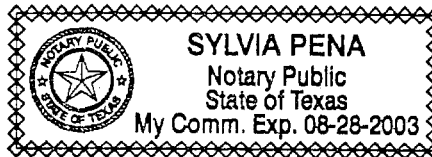
I, Larry Lee Richter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Richter, Larry Lee DBA Financial Advantage Company, as of 31 December 2001, ~~are~~ are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

Larry Lee Richter
Signature

Registered Principal
Title

Sylvia Pena
Notary Public



This report** contains (check all applicable boxes):

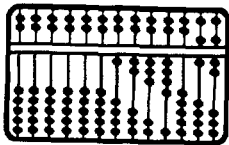
- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

RICHTER, LARRY LEE
dba FINANCIAL ADVANTAGE CO.

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Computation of Net Capital	6
Computation of Basic Net Capital Requirements	7
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Other Expenses	12



**MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.**

INDEPENDENT AUDITOR'S REPORT

To Richter, Larry Lee
dba: Financial Advantage Co.

We have audited the accompanying statements of financial condition of Richter, Larry Lee, dba: Financial Advantage Co., (a proprietorship) as of December 31, 2001 and 2000 and the related statement of income, changes in proprietor's capital and cash flows for the years then ended. These financial statements are the responsibility of the proprietor. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Richter, Larry Lee, dba: The Financial Advantage Co., as of December 31, 2001 and ~~1999~~²⁰⁰⁰, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles accepted in the United states of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supporting information included in the report (shown on page 12) are presented for the purposes of additional analysis and are not a require part of the basic financial statements of Richter, Larry Lee, dba: Financial Advantage Co. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with SEC Rule 17a-5 for a broker-dealer claiming an exemption from SEC Rule 15c3-3 for internal control structure, we have also issued a report dated February 15, 2002, on our consideration of The Financial Advantage Co.'s internal controls.

Marcus, Fairall, Bristol + Co. LLP

El Paso, Texas
February 15, 2002

RICHTER, LARRY LEE
dba FINANCIAL ADVANTAGE CO.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31,

ASSETS

	<u>2001</u>	<u>2000</u>
Cash/Cash Equivalents		
Cash in bank	\$ 10,015	\$ 6,244
Money market account (Note 3)	<u>8,295</u>	<u>8,159</u>
Total cash/cash equivalents	18,310	14,403
Property, Furniture and Equipment		
Net of Accumulated Depreciation (Note 4)	16,033	23,269
Other Assets		
Supplies Inventory (Note 5)	<u>300</u>	<u>300</u>
TOTAL ASSETS	\$ <u>34,643</u>	\$ <u>37,972</u>

LIABILITIES AND PROPRIETOR'S CAPITAL

Payroll Taxes Payable	\$ 677	\$ 677
Proprietor's Capital	<u>33,966</u>	<u>37,295</u>
TOTAL LIABILITIES AND PROPRIETOR'S CAPITAL	\$ <u>34,643</u>	\$ <u>37,972</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE
dba FINANCIAL ADVANTAGE CO.
STATEMENTS OF INCOME FOR THE YEARS ENDED
DECEMBER 31,

REVENUES

	<u>2001</u>	<u>2000</u>
Commissions:		
Insurance and Timing Commissions	\$ 48,204	\$ 107,758
Securities Commissions	121,175	192,170
Other Revenue	<u>241</u>	<u>1,083</u>
 TOTAL REVENUES	 169,620	 301,011

EXPENSES

Salaries	30,000	30,000
Depreciation	7,236	6,257
Other Expenses (Schedule 1)	<u>70,939</u>	<u>47,244</u>
 TOTAL EXPENSES	 <u>108,175</u>	 <u>83,501</u>
 NET INCOME	 \$ <u>61,445</u>	 \$ <u>217,510</u>

THE ACCOMPANYING NOTES ARE AN NTEGRAL PART
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE
dba FINANCIAL ADVANTAGE CO.
STATEMENTS OF CHANGES IN PROPRIETOR'S CAPITAL
FOR THE YEARS ENDED DECEMBER 31,

	<u>2001</u>	<u>2000</u>
BEGINNING BALANCE	\$ 37,295	\$ 92,116
Add:		
Capital Contribution	-0-	3,201
Net Income	<u>61,445</u>	<u>217,510</u>
	98,740	312,827
Deduct:		
Withdrawals	<u>64,774</u>	<u>275,532</u>
ENDING BALANCE	\$ <u>33,966</u>	\$ <u>37,295</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE
dba FINANCIAL ADVANTAGE CO.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2001</u>	<u>2000</u>
Cash Flows from Operating Activities		
Net Income	\$ 61,445	\$ 217,510
Adjustments to Net Income:		
Depreciation	<u>7,236</u>	<u>6,257</u>
Net Cash Provided by Operating Activities	<u>68,681</u>	<u>223,767</u>
Cash Flows from Financing Activities		
Cash Contributed by proprietor	-0-	3,201
Purchase of Computer	-0-	(3,201)
Remodel Office	-0-	(4,184)
Cash Paid to Proprietor	<u>64,774</u>	<u>(275,532)</u>
Net Cash Used by Financing Activities	<u>64,774</u>	<u>(279,716)</u>
Net Increase (Decrease) in Cash	3,907	(55,949)
Cash and Cash Equivalents at Beginning of Year	<u>14,403</u>	<u>70,352</u>
Cash at End of Year	\$ <u>18,310</u>	\$ <u>14,403</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE
dba FINANCIAL ADVANTAGE CO.
COMPUTATION OF NET CAPITAL
DECEMBER 31,

	<u>2001</u>	<u>2000</u>
Total Proprietor's Capital from Statement of Financial Condition	\$ 33,966	\$ 37,295
Deduct Non-Allowable Assets	<u>17,443</u>	<u>24,656</u>
Net Capital before Haircuts on Security Positions	16,523	12,639
Haircuts on Securities - Other	<u>138</u>	<u>135</u>
NET CAPITAL	\$ <u>16,385</u>	\$ <u>12,504</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE
dba FINANCIAL ADVANTAGE CO.
COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS
DECEMBER 31,

	<u>2001</u>	<u>2000</u>
Minimum Dollar Net Capital Requirements of Reporting Broker or Dealer (Note 6)	\$ <u>5,000</u>	\$ <u>5,000</u>
Excess of Net Capital		
Net Capital	\$ 16,385	\$ 12,504
Less: Minimum Dollar Requirement Excess Net Capital	<u>5,000</u>	<u>5,000</u>
EXCESS NET CAPITAL	\$ <u>11,385</u>	\$ <u>7,504</u>
EXCESS NET CAPITAL AT 100%	\$ <u>16,385</u>	\$ <u>12,504</u>

NOTE: There was no material differences between the computation above and the unaudited Part 11A focus report submitted for the year ending December 31, 2001.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE
dba FINANCIAL ADVANTAGE CO.
SCHEDULE FOR AGGREGATE INDEBTEDNESS COMPUTATION
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

SEE NOTE 2

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE
dba FINANCIAL ADVANTAGE CO.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF BUSINESS:

The proprietor was licensed as a NASD broker-dealer on March 5, 1991.

This summary of significant accompanying policies of Richter, Larry Lee dba Financial Advantage Company is presented to assist in understanding the financial statements. The financial statements and notes are representations of the owner, who is responsible for their integrity and objectivity.

ACCOUNTING BASIS:

The books and records of the Company are kept on the accrual basis for financial reporting and income tax purposes.

PROPERTY, FURNITURE AND EQUIPMENT:

Property and equipment are stated at cost. Betterments and major renewals are capitalized and included in the property and equipment accounts while expenditures for maintenance and repairs and minor renewals are charged to expense.

REVENUE RECOGNITION:

Revenue is recognized as insurance and security commissions are received. Timing fees are recognized when the service is rendered. This is a consulting service performed by Mr. Richter.

INCOME TAXES:

The proprietorship is not a taxpaying entity for purposes of federal income taxes, and thus no income taxes have been recorded in the statements. Income from the proprietorship is combined with the income and expenses of the proprietor from other sources and reported in the proprietor's individual, federal income tax returns. The proprietor customarily makes estimated tax payments toward his personal income tax liability from his personal bank account.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - SUPPLEMENTAL INFORMATION IN ACCORDANCE WITH ERG 17A-5 OF THE REGULATIONS UNDER SECURDITY EXCHANGE ACT OF 1934:

Richter, Larry Lee, dba Financial Advantage Co. does not receive, acquire, or hold funds or securities for customers or margin for customers and therefore the provisions of rule 15C 3-3 are not applicable to Financial Advantage Co. Therefore, an independent review of the company's treatment of such transactions is not required.

RICHTER, LARRY LEE
dba FINANCIAL ADVANTAGE CO.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 3 - MONEY MARKET

The money market account is carried at net equity value reflecting dividends earned in the amount of \$241 for the period ended November 16, 2001 and \$345 for the period ending December 31, 2000. The share price was \$1.00 per share at December 31, 2001.

The money market account was transferred into a variable annuity on November 16, 2000, with an additional \$1,000. The value of the annuity on the last business day of December 2001 and 2000, were \$8,295 and \$8,142, respectively, which was confirmed. The primary beneficiary of the annuity is The Financial Advantage Co. The following hair cut requirements and non-allowable cost percentages for variable annuities in the computation of net capital are as follows:

2% required hair cut after non-allowable cost
non-allowable cost:
7% contingent deferred sales charge
10% premature withdrawal penalty

The non-allowable costs amounted to \$1,410 at December 31, 2001 and \$1,387 at December 31, 2000.

NOTE 4 - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consists of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Estimated Useful Life</u>
Office Furniture	\$ 4,107	\$ 4,107	10 Yr.
Office Equipment	22,783	20,738	5 - 7 Yr.
Office Improvements	4,184	169	39 Yr.
Automobile	21,314	13,341	5 Yr.
Professional Books	<u>2,000</u>	<u>-0-</u>	
Total	\$ <u>54,388</u>	\$ <u>38,355</u>	

Depreciation charges to income was \$7,236 for the year ended December 31, 2001, and \$6,257 for the period ending December 31, 2000.

NOTE 5 - SUPPLIES INVENTORY

Supplies inventory is carried at cost.

NOTE 6 - EXCEPTIVE PROVISION UNDER RULE 15C 3-3

Under the exceptive provision of rule 15C 3-3 (K)(1)(ii) the Company's capital category has an exception of \$5,000 for the year ended December 31, 2001. There were no material inadequacies.

SUPPORTING SCHEDULE

RICHTER, LARRY LEE
dba FINANCIAL ADVANTAGE CO.
OTHER EXPENSES
DECEMBER 31,

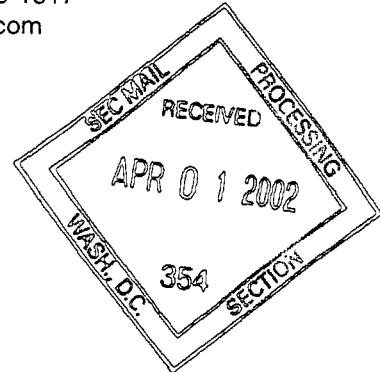
	<u>2001</u>	<u>2000</u>
Advertising	\$ 3,531	\$ 2,586
Dues and Publications	4,306	3,313
Printing	1,201	1,338
Insurance	5,313	4,496
Computer Expense	1,883	2,273
Supply Expense	5,111	3,504
Payroll Taxes	2,298	2,296
Education Expense	670	1,710
Meals and Entertainment	-0-	128
Telephone Expense	2,145	1,885
License and Fees	9,074	8,362
Gift Expense	156	432
Postage	12,253	3,437
Repairs	652	1,533
Travel	4,193	6,850
Freight	339	750
Miscellaneous	499	284
Administrative Service Fees	107	113
Contract Labor	7,419	1,525
Legal Fees	3,100	429
Liability Insurance	821	-0-
Seminar Expense	5,868	-0-
	\$ <u>70,939</u>	\$ <u>47,244</u>

THE FINANCIAL ADVANTAGE COMPANY & The TFAC Agency

SECURITIES OFFERED THROUGH THE FINANCIAL ADVANTAGE COMPANY

Mailing Address: P.O. Box 160546, San Antonio, TX 78280-2746
Street Address: 423 Lazy Bluff, San Antonio, TX 78216-1617
Office and Fax: (210) 490-8877 • Email: tfac@msn.com

26 March 2002



Securities and Exchange Commission
450 5th Street, N.W.
Washington, D.C. 20549

RE: 2001 Annual Audit Report for The Financial Advantage Company

To Whom It May Concern:

Due to 2 deficiencies which were noted by the NASD District 6 office in my initial 2001 Annual Audited Report which was mailed to your office on the 20th of February 2002 and in accordance with NASD Manual-SEC Rules and Regulations T, SEC Rule 17a-5(d), Reports To Be Made By Certain Brokers and Dealers; I have enclosed 2 **corrected** copies of The Financial Advantage Company's 2001 Annual Audit Report.

Please let me know if your office has any questions on the enclosures.

Sincerely,

Larry Richter
Registered Principal

Encl as